GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5718
ANSWERED ON:07.04.2017
Private Financial Companies
Sathyabama Smt. V.

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government has issued any orders to private financial institutions and private limited finance companies in the country to govern the issue of loans and collection of interests;

(b) if so, the details thereof;

(c) whether some private limited finance companies have been involved in unethical and fraudulent acts and if so, the details thereof; and

(d) the stringent steps taken by the Government to book and punish directors of such companies for committing fraud?

Answer

THE MINISTER OF STATE IN THE (SHRI ARJUN RAM MEGHWAL)
MINISTRY OF CORPORATE AFFAIRS

(a) & (b): Non-banking Finance Companies (NBFCs), incorporated under the Companies Act, are regulated by Reserve Bank of India (RBI). As informed by RBI, the interest rates of lending have been deregulated for banks and NBFCs. A cap on interest rate is specified only for NBFC-MFIs. In respect of NBFCs, the RBI has issued guidelines through the Fair Practices Code that require the Board of NBFCs to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. Further, the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers is required to be disclosed to the borrower or customer in the application form and also to be communicated explicitly the in sanction letter. This ensures transparency in computation and communication of interest rates charged by NBFCs.

(c) & (d): The details provided by RBI are enclosed as per Annexure -I.

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